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Attachment A

PROPOSALS TO SIMPLIFY FPA PROCEDURES1. Charge Selected Classes of Property Items to Cost Upon Acquisition.

At present all property acquired is carried in the "property on hand" inventory accounts pending issuance, and non-expendable property is carried in the "property in use" inventory accounts after issuance. In order to simplify the FPA procedures, it is recommended that selected classes of property be charged directly to cost upon acquisition rather than be recorded in financial records as property on hand or in use. The specific classes of property to be charged directly to cost should be determined based upon a coordinated review by representatives of the Office of Logistics and the Office of the Comptroller. Examples of property which could be so handled might include (a) household furnishings other than furniture and major items of equipment, (b) hand tools, (c) cleaning supplies such as brooms, mops, etc., (d) gasoline, oil and lubricants acquired for motor pool activities, (e) printed forms and stationery acquired for administrative use, and (f) repair parts and maintenance supplies. Adoption of this proposal would very substantially reduce the workload involved in maintenance of the FPA procedures without materially affecting their overall objectives and would also result in the simplification of the property authorization control procedures. Also, under this proposal the Logistics Office could continue to require accountable officers to maintain stock record cards showing quantities of the subject property items for inventory purposes.

2. Limit Application of FPA Procedures to Property Accountability Items.

The [] Station at present is including numerous types of property under FPA procedures which are not intended to be covered; e.g., periodicals, reference books, etc. It is recommended that the intended scope of FPA procedures be clarified by a more specific definition in the Handbook.

3. Eliminate Mills from Fixed Unit Prices.

It is recommended that mills be dropped from all fixed unit prices to simplify procedures and eliminate "breakage" in balancing operations. This will require modification of current Logistics regulations.

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4. Limit Price Adjustments to Substantial Changes.

Discontinue the present practice of requiring fixed unit price adjustments for small changes in unit prices; e.g., adjustment should not be made unless the change would amount to 5 percent of the fixed unit price or \$50, whichever is less.

5. Establish Fixed Unit Prices Based Upon Local Acquisition Costs Where Applicable.

25X1A Since approximately 90 percent of property utilized at the [] Station is procured locally, fixed unit prices based upon local procurement costs provide a more factual basis for maintaining FPA and property authorization control procedures. It is recommended, therefore, that regulatory issuances be clarified to permit the use of local procurement costs as a basis for establishing fixed unit prices. This proposal will simplify procedures by reducing the number of fixed unit price changes.

6. Issuance of All Household Furnishings to Housing Officer as Responsible Officer.

To simplify both Accountable Officer and FPA procedures, consider establishing the Housing Officer as the Responsible Officer for all household furnishings and provide that issuances to individuals or safe houses be covered by hand receipts held by this Responsible Officer. This would require segregating household equipment items in separate warehouse facilities under the control of the Housing Officer.

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MEMORANDUM FOR THE CHIEF OF BUREAU OF THE COMPTROLLER OF THE CENTRAL INTELLIGENCE AGENCY
Approved For Release 2002/05/06 : CIA-RDP78-05551A000100090027-8

FROM: Chief, Technical Accounting Staff
Office of the Comptroller

SUBJECT: Financial Property Accounting

1. The Financial Property Accounting procedure installed at [] in October 1955 has been reviewed and found to be functioning satisfactorily. The procedures prescribed under [] are being observed and based upon estimates made by Base personnel actually performing the detailed operations the procedures are requiring approximately 10 man days per month, six days in Finance and four days in Logistics.

2. The Agency policy relative to the maintenance of financial accounting for property has several major objectives which it is believed can best be accomplished through integration in the Agency's accounting records of property transactions at all locations where substantial property is controlled. These objectives include the development of firm bases for:

a. Determination of current stock levels of property on hand and in use as required for procurement planning and periodic budgetary submissions to the Bureau of the Budget and the Congress.

b. Maintenance of property authorization controls to assure utilization of Agency resources within approval actions.

c. Identification of costs of expendable property furnished to Agency components and projects.

d. Internal control over Agency property i.e. the custody of accountable and responsible officers at Headquarters and in the field, including the facilitating of audit operations.

3. To accomplish these objectives the installation of financial accountable procedures for property is required at all locations where substantial amounts of Agency property are involved. Agency policy recognizes, however, that from a practical standpoint it is not appropriate to prescribe such procedures for locations where only relatively small property assets are maintained. Thus, these procedures were first applied at TI and subsequently at one overseas

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area where very large Agency property inventories are maintained. Following these installations it was determined that the financial accounting for property should be made effective in other locations served by so-called "Accountable" officers as rapidly as circumstances permit since:

a. Normally the designation of an accountable officer at any location depends upon substantial property assets and,

b. All other Agency property is required to be identified on Headquarters records based upon procedures applicable to "Detached" stations property.

4. Accordingly, upon receipt of an indication from this Station that its three bases were situated to accommodate the financial accounting procedures for property the procedures were installed in the bases. You have indicated your objection to the continuance of this procedure at this Base because of the time required by administrative personnel in its maintenance as well as the fact that in your opinion the Base obtains no direct operational benefit therefrom and from the Base standpoint the procedures are not necessary to provide substantial control and accountability over property. This is particularly significant from your viewpoint because you contemplate the possibility that the Base may be required at any time to sustain a drastic curtailment in size or at least a significant decentralization such as occurred in an adjacent area some time ago.

25X1A 5. A further factor which has been advanced in objection to the financial accounting procedures for property at [] is the small amount of property in the accountable officers custody and particularly the small inventory of property on hand. At 30 April this property amounted to approximately \$225,000.00 of which \$100,000.00 represented motor vehicles and only \$24,000.00 represented unissued inventory on hand. The rate of local procurement of property for the current fiscal year is less than \$4,000.00 per month, including expendable items which are not carried as property items at the [] except for ammunition, cigarettes, liquor and coffee.

25X1A 6. This entire question together with the findings developed in the further study of this problem at [] will be the subject of further consideration at Headquarters upon my return. Particular attention will be directed to the question of administrative effort required to be applied in the light of the operational requirements of this and other [] and the possibility of [] drastic curtailment of total staffing at these bases.

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16 April 1956

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Chief, EE

Administrative
Proposed New [] Administrative Procedures

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1. It appears in order to call to your attention a growing concern we have on your behalf. This concern is based on a possible increased work load your administrative personnel may have to assume if certain administrative proposals presently being advocated by various [] offices are adopted. The concern is increased because it is doubtful if more personnel could be authorized for you to meet this potential increase in activity.

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2. As you are aware, the procedure of financial property accountability was recently instituted for your main account in []. There is now proposed to establish financial property accountability for the KUCLEB and KURIOT accounts. We are more concerned, however, with the great desire of Logistics to merge your three property accounts into one central account to be run by the [] Base. As I believe you are aware, it was their intent to have this accomplished during the forthcoming TDY trip of Chief, Technical Accounting Staff, Office of the Comptroller. We were successful in stalling this on the basis that it would be premature at this time, pending receipt of your position and a determination of what increased work load, if any, would be assumed by the [] Base. Our concern is further heightened by the proposal to establish the procedure of property authorization at the field level. It is axiomatic that with each new procedure there is an increased amount of work to be performed. While the amount of work which needs to be done for any new procedure might be minimal, we are now looking at these proposals in their totality, i.e., what will your increased over-all work load be if all three procedures were in operation?

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3. While all of these procedures may be desirable, we have fended off the adoption of the latter two until you have had an opportunity personally to acquaint yourself with the increased work load factor. We urge you, if indeed it be necessary, to view this problem in the same light. If you feel you can accept these new proposals within your present administrative personnel positions, then we suggest you judge the proposals on their merits and state your position accordingly. If the adoption of these proposals, however,

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will increase your work load, it is believed essential that this fact be declared. We would then support your position in light of your declaration.

4. These procedures per se are best discussed by technicians, which I certainly am not. From an over-all point of control they appear desirable. I take no position in urging you to accept or reject on the merits of the position. Our only concern has been to prevent committing you to assume more work until you have had a chance to talk to qualified technical people who will visit you.

[REDACTED]

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12 April 1956

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budgetary submissions to the Bureau of the Budget and the Congress.

- (2) Maintenance of property authorization controls to assure utilization of Agency resources within approval actions.
 - (3) Identification of costs of expendable property furnished to Agency components and projects.
 - (4) Internal control over Agency property in the custody of accountable and responsible officers at Headquarters and in the field, including the facilitating of audit operations.
- b. To accomplish these objectives the installation of financial accountable procedures for property is required at all locations where substantial amounts of Agency property are involved. Agency policy recognizes, however, that from a practical standpoint it is not appropriate to prescribe such procedures for locations where only relatively small property assets are maintained. Thus, these procedures were first applied at ZI and subsequently at one overseas area where very large Agency property inventories are maintained. Following these installations it was determined that the financial accounting for property should be made effective in other locations served by so-called "Accountable" officers as rapidly as circumstances permit since:
- (1) Normally the designation of an accountable officer at any location depends upon substantial property assets and,
 - (2) All other Agency property is required to be identified on Headquarters records based upon procedures applicable to "Detached" stations property.
- c. Accordingly, upon receipt of an indication from this Station that its three bases were situated to accommodate the financial accounting procedures for property the procedures were installed in the bases. The three bases are satisfactorily observing the prescribed procedures, and the property financial accounting reports to Headquarters have been properly prepared.
- d. The application of FPA at the three bases has required considerable time on the part of Logistics and Finance personnel, especially during the initial period of operation.
- e. Based upon activity for the most recent period, from 23 March to 3 May 1956, the FPA procedures at are estimated to have required 24.7 man days per month of which 6.3 days were in the Finance Office and 18.4 days were in the Logistics Office. In

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within limitations established. There were 106 allotments established within the Station in 1956, 52 at [] 31 at [] The Bases would have an additional workload under this procedure estimated to require approximately 6 man days per month at [] It is agreed that I will take with me to Washington for further study these certain statistics pertaining to the amount of property absorbed by operational projects, which can be a significant basis for a Headquarters review of the problem.

7. General

- a. Station officials, as indicated in reference (B) and a dispatch to Headquarters from the Chief of Station dated 10 April 1956 [] have expressed basic objection to the necessity for maintaining detailed FPA and property authorization control procedures at the Station because of the heavy administrative workload required and, in their view, the lack of offsetting advantages to Station operations. From a long range viewpoint if a substantial reduction in the size of this Station becomes necessary, some other methods will be required to accomplish the objectives of these procedures, and the Station Deputy for Administration suggests that alternative procedures might well be considered.
- b. All personnel contacted at the Station were most helpful in providing information and assistance in my contacts with them. I was enabled to obtain first hand knowledge concerning Station operations affecting the FPA procedures and other financial and accounting matters which will be useful to me in dealing with field problems. I take this opportunity to express to you my appreciation for the excellent help furnished to me by Station personnel.

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